



# **2021 HALF-YEAR FINANCIAL REPORT**

The English language version of this report is a free translation from the original, which was prepared in French language. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

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## Declaration of the person responsible for the report

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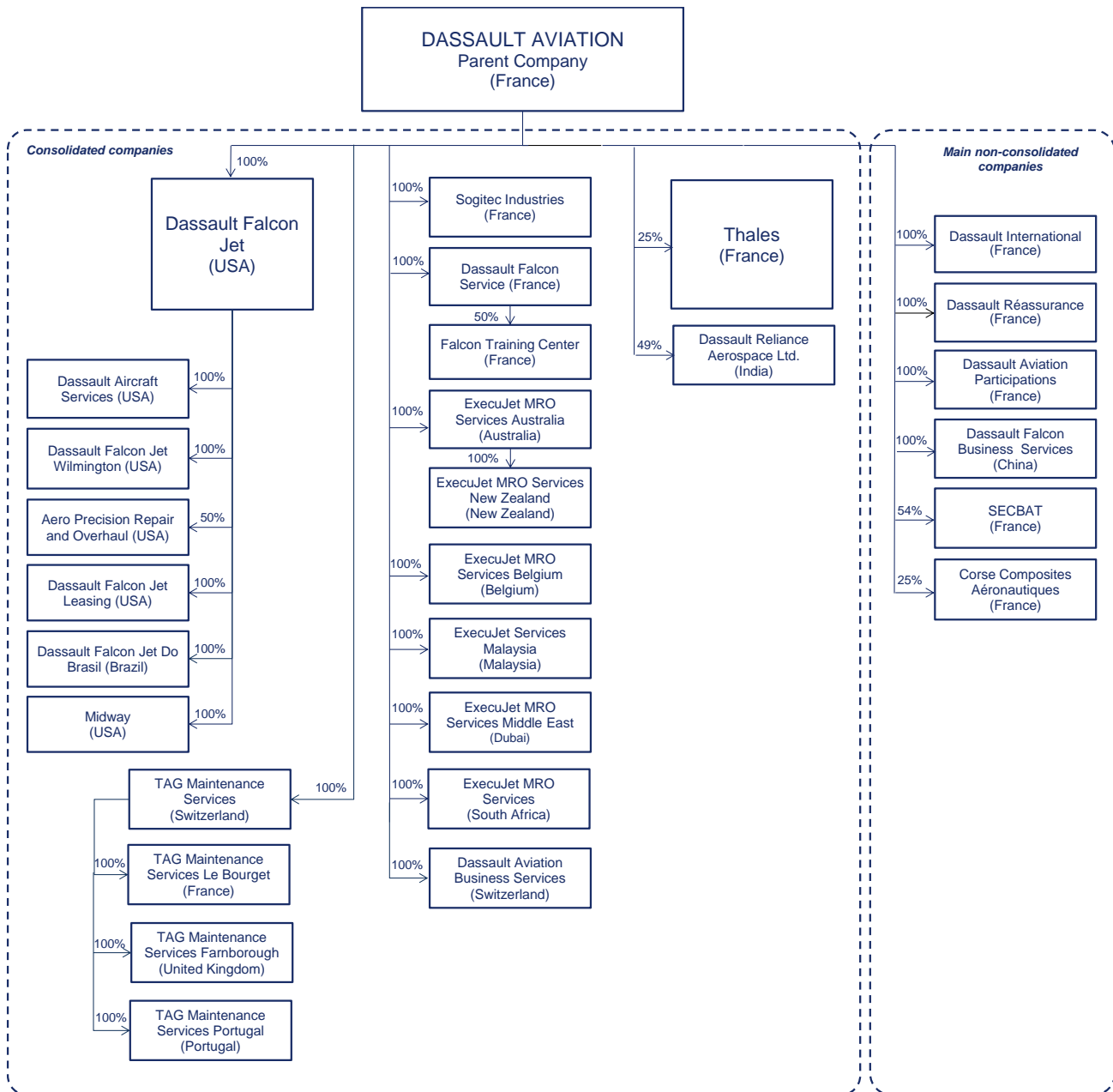
I hereby certify that, to my knowledge, the interim condensed financial statements in this report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income or loss of the Dassault Aviation Group, and that the half-yearly activity report presents a fair representation of the important events of the first six months of the financial year and their effect on the half-yearly financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the financial year.

Paris, July 22, 2021

Eric TRAPPIER  
Chairman and Chief Executive Officer

## Group structure as of June 30, 2021

The Dassault Aviation Group is an international group that encompasses most of the aeronautical business of the Groupe Industriel Marcel Dassault. The main Group companies are as follows:



The list of consolidated entities is presented in Note 2, “Scope of consolidation”, of the Appendix to the interim condensed consolidated financial statements.





**DASSAULT AVIATION GROUP**  
**1<sup>st</sup> HALF 2021**  
**BUSINESS REPORT**

## 1. KEY FIGURES FOR THE 1<sup>ST</sup> HALF 2021

	H1 2021	H1 2020
Order intake <i>(new aircraft in units)</i>	€ 3,913 M 6 Rafale Greece 12 Rafale France 25 Falcon	€ 984 M 5 Falcon
<u>Adjusted</u> net sales <sup>(*)</sup>	€ 3,107 M 13 Rafale Export 6 Falcon	€ 2,641 M 7 Rafale Export 16 Falcon
	as of June 30, 2021	as of December 31, 2020
Backlog <i>(new aircraft in units)</i>	€ 16,703 M 67 Rafale <i>of which</i> 40 Rafale France 27 Rafale Export 53 Falcon	€ 15,895 M 62 Rafale <i>of which</i> 28 Rafale France 34 Rafale Export 34 Falcon
	H1 2021	H1 2020
<u>Adjusted</u> operating income <sup>(*)</sup>	€ 175 M	€ 55 M
<u>Adjusted</u> operating margin	5.6% of net sales	2.1% of net sales
Research & Development	€ 250 M 8.0% of net sales	€ 262 M 9.9% of net sales
<u>Adjusted</u> net income <sup>(*)</sup>	€ 265 M	€ 87 M
<u>Adjusted</u> net margin	8.5% of net sales	3.3% of net sales
	as of June 30, 2021	as of December 31, 2020
Available cash	€ 3,502 M	€ 3,441 M

Note: Dassault Aviation recognizes Rafale Export contracts in their entirety (including the Thales and Safran parts).

Main aggregates under IFRS (see table of reconciliation below)

<sup>(1)</sup> Consolidated net sales	3,106	2,646
<sup>(1)</sup> Consolidated operating income	177	57
<sup>(1)</sup> Consolidated net income	212	32





## 2. GROUP ACTIVITIES

### 2.1 Context

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As in 2020, the Group has adapted to the health situation and regulatory constraints through ongoing social dialog with employee representatives. Aside from complying with the strict health measures, we have continued to work remotely (as well as signing agreements on the quality of working life), repatriated staff where necessary (especially from India), kept travel to an absolute minimum and launched a vaccination campaign.

The investment fund set up under the aeronautics support plan put in place by Airbus, Dassault Aviation, Thales and Safran and part-funded by the French government has begun investing to support and strengthen SMEs and ISEs in the sector.

### 2.2 Programs development

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#### 2.2.1 Defense programs

- Rafale

For the Rafale, the 1<sup>st</sup> half of 2021 saw:

- the signing and entry into force of the contract with Greece for 18 Rafale. This order includes 6 new aircraft and 12 aircraft in service in the French Air and Space Force. In order to meet the urgent need of the Greek government, delivery of pre-owned aircraft will begin during 2021 2<sup>nd</sup> half. Greece, which is one of our longstanding customers, is the 1<sup>st</sup> European country to buy the Rafale after France and the 4<sup>th</sup> Rafale Export customer;
- France's order of 12 additional Rafale to replace its 12 aircraft in service sold to Greece. This contract brings the number of Rafale ordered by France to 192. Deliveries will resume from 2022;
- the signing of a contract with Egypt for an additional 30 Rafale. This new order follows on from the initial purchase of 24 Rafale in 2015. It brings the number of Rafale ordered by Egypt to 54. After the French Air and Space Force, the Egyptian fleet will have the second-highest number of Rafale in the world. The contract shall enter into force upon receipt of the 1<sup>st</sup> down payment and therefore it is not included in our backlog as of June 30th;
- Croatia's announcing its plans to acquire 12 Rafale, currently in service with the French Air and Space Force. Croatia would thus become the 2<sup>nd</sup> European country, after Greece, to acquire the Rafale Export. The Rafale contract will be agreed at government level;
- the delivery of 13 Rafale Export (India and Qatar) out of the 25 scheduled in 2021;
- the continuation of development works on the F4 standard for France;
- the continuation of preliminary works on Batch 5 of the Rafale France; a production order has to be obtained. 1<sup>st</sup> Rafale deliveries are scheduled from 2027 under the Military Planning Law (for an order expected in 2023?);
- the continuation of prospecting and export negotiations with other countries.

- Future Combat Air System (FCAS)

Active discussions and negotiations for the FCAS continued during the 1<sup>st</sup> half of 2021:

- the Joint Concept Study (JCS) launched in January 2019 is nearing completion;
- launched in February 2020, phase 1A of the FCAS demonstrators, and the New Generation Fighter in particular, is continuing. The focus is on aerodynamics, with the first wind tunnel tests scheduled for September 2021.



The contract for phase 1B (under negotiation) is still to be signed. This will cover all the work carried out jointly between France, Germany and Spain until 2024 (NGF demonstrator studies, for which Dassault Aviation is the lead contractor).

Discussions are being finalized with the French Defense Procurement Agency (DGA) on intellectual property rights.

- *Eurodrone*

The contract for the Eurodrone, a medium-altitude, long-endurance drone, between the OCCAR (Organisation for Joint Armament Cooperation) and Airbus Defence and Space (the prime contractor) has been negotiated. Notification is expected 2<sup>nd</sup> half 2021. The contracts between Airbus Defence and Space and its main partners, Leonardo and Dassault Aviation, are being negotiated. Dassault Aviation will be responsible for flight controls and mission communications in particular.

### 2.2.2 Mission aircraft

- *Multi-mission Falcon*

The 1<sup>st</sup> half of the year saw:

- the continuation of works on the development of the maritime surveillance and intervention aircraft (AVSIMAR) program, following the order of 7 Falcon 2000LXS “Albatros” (with another 5 aircraft under option);
- the continuation of the strategic intelligence program based on a Falcon 8X “Archange” platform (2 aircraft in backlog, with an optional 3<sup>rd</sup> one).

- *Maritime Patrol Aircraft (PATMAR)*

The 4<sup>th</sup> upgraded ATL2 was delivered to the French Navy out of the 7<sup>th</sup> to be executed by Dassault Aviation.

After the failure of the Maritime Airborne Warfare System (MAWS), we need to build a maritime patrol vessel proposal based on the Falcon 10X.

### 2.2.3 Falcon programs

The business aviation market rallied in the 1<sup>st</sup> half of the year, particularly in the United States, although prices remain under pressure. The pre-owned business jet market was buoyant. Business air travel has recovered, particularly in North America.

We delivered 6 Falcon during the 1<sup>st</sup> half of the year and booked 25 new aircraft orders (vs. 16 deliveries and 5 orders in 1<sup>st</sup> half 2020).

The period saw two major events:

- the maiden flight of the Falcon 6X on March 10, 2021, demonstrating its excellent flight behavior and performance in line with expectations. At present 3 development aircraft are in service, with 40 flights completed by the end of June equating to around 130 hours of flight hours. The Falcon 6X cabin received the Red Dot Award for its design. Its entry into service is scheduled for late 2022;
- the official launch of the Falcon 10X on May 6, 2021. This brand new aircraft is characterized by its long range (7,500 nm, or for example New York - Shanghai, Los Angeles - Sydney, or Paris - Santiago de Chile) and the size of its cabin, the most spacious on the market, while maintaining the operational capabilities of the Falcon family. It is fitted with two Rolls Royce Pearl 10X 100% SAF (sustainable aviation



fuels) compatible engines. It has a maximum speed of Mach 0.925 and can land and take off on short runways, such as at London City Airport. It features innovations and technologies borrowed from the military (smart throttle controlling the two engines, recovery mode, composite wings, etc.) and a state-of-the-art cockpit.

Its cabin, the most spacious and luxurious on the market, will offer unparalleled modularity in terms of layout within its category. The refined cabin environment will ensure passenger comfort on long flights, with similar, if not better, acoustics to that of the Falcon 8X (recognized as the quietest on the market), pressurization set to 3,000 feet when cruising at 41,000 feet, improved air quality, Ka-band Satcom connectivity, and excellent flight qualities (turbulence damping using digital flight controls), etc. With all these features, it sets a new reference for the business jet market.

Its entry into service is scheduled for late 2025. The 1<sup>st</sup> orders for this brand new aircraft have already been booked.

## 2.3 Make in India

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Business was severely disrupted by the health crisis and French personnel and their families were repatriated to France, where they remained temporarily. They began returning to India towards the end of H1. Nevertheless, manufacturing operations continued, albeit more slowly.

## 2.4 Customer support

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### 2.4.1 Military customer support

The highlights in the 1<sup>st</sup> half of 2021 were:

- in-line performance of the integrated support contract for the Rafale (RAVEL) with the Rafale availability requirements of the French Air and Space Force and Naval Air Force. The Big Data 3DExperience™ platform (Dassault Aviation/Dassault Systèmes) is now in use;
- the implementation of the ATL2 support contract for the French Naval Air Force (“OCEAN”) based on the same Big Data platform as RAVEL;
- the training of Indian pilots and mechanics at our Conversion Training Center in Mérignac, France, and the preparation of this center to host Greek pilots and mechanics;
- the preparation of staff and resources to set up a second base in India;
- the continuation of support for the Egyptian, Qatari and Indian Rafale;
- the launch of support services for Greece.

### 2.4.2 Falcon customer support

For the record, in 2020, for the second year running, the support efforts made in recent years (Falcon Response, spare parts availability, network of maintenance centers, etc.) were awarded by Aviation International News magazine:

- 1<sup>st</sup> in the overall rankings;
- 1<sup>st</sup> for spare parts availability;
- 1<sup>st</sup> for AOG response;
- 1<sup>st</sup> for fulfilment of warranty terms.

With regard to Falcon support, in the 1<sup>st</sup> half of 2021, we:

- maintained regular contact with our service customers, holding regular webinars on technical and operational subjects;
- continued to develop our MRO network through competence building at our new Falcon service centers;

- carried out the 1<sup>st</sup> major Falcon upgrade works (C cheks) at ExecuJet in the Middle East, Australia and Malaysia, and at TMS in the United Kingdom;
- expanded our pilot training capacity with the commissioning of a new Falcon 8X simulator at Flight Safety in Teterboro;
- implemented an extended maintenance contract to meet the expectations of Falcon service customers (FalconCare Elite).

### 3. MODERNIZATION OF OUR PRODUCTION FACILITIES

We are continuing our efforts to modernize our production facilities:

- **Argonay:** extension of the building for 100% REACH-compliant surface treatments (late 2021 delivery); delivery of a second aluminum additive manufacturing machine (summer 2021);
- **Biarritz:** reconfiguration of the Falcon 6X and Falcon 10X hangar (August 2022 delivery);
- **Cergy:** building permit granted, claim waived. works shall begin targeting delivery of the building in 1<sup>st</sup> half 2023;
- **Martignas:** construction of a new Falcon 10X wing assembly building (summer 2022 delivery) and new paint shop;
- **Mérignac:** works under way on the new air system laboratory (late 2021 delivery); commencement of works to adapt a building to the Falcon 10X;
- **Seclin:** production lines operational for metal parts, coatings, and curved and formed sheet metal.

Besides, our R&D centers adopt new methodologies and enhanced open-plan workspaces.

- **Istres:** extension of the Falcon 10X system test bed facility (September 2021 delivery); extension work due to start on the 7X building to accommodate the Falcon 10X;
- **Mérignac:** delivery of the new office building, which has started to welcome its new occupants;
- **Saint-Cloud:** opening of a new company restaurant; works due to start in the 1<sup>st</sup> quarter of 2022 (2023 delivery). Palissy building is scheduled for refurbishment.

### 4. DIGITALIZATION

- The implementation of 3DExperience™ will start with the Falcon 10X and NGF programs, before being extended to the Rafale and Falcon 6X programs;
- Cloud: NGF sovereign defense project based on a Dassault Systèmes “3DExperience™ Dedicated Cloud” solution;
- Continuing implementation of SAP in production, with Martignas and Poitiers in January (Mérignac and Argonay are scheduled for the end of the year). By 2022, all sites will be using SAP.

## 5. 1<sup>ST</sup> HALF 2021 ADJUSTED CONSOLIDATED RESULTS

(see reconciliation table in appendix)

### 5.1 Order intake

**Order intake** for the 1<sup>st</sup> half of 2021 was **EUR 3,913 million**, compared to EUR 984 million for the 1<sup>st</sup> half of 2020. **Export** order intake stood at **82%**.

Order intake was as follows, in **EUR million**:

	H1 2021	%	H1 2020	%
<b>Defense</b>	<b>2,500</b>	65%	<b>315</b>	32%
<i>Defense Export</i>	1,907		132	
<i>Defense France</i>	593		183	
<b>Falcon</b>	<b>1,413</b>	35%	<b>669</b>	68%
<b>Total order intake</b>	<b>3,913</b>		<b>984</b>	
<i>% Export</i>	<b>82%</b>		80%	

The order intake is entirely composed of firm orders.

#### *Defense programs*

**Defense order intake** totaled **EUR 2,500 million** in the 1<sup>st</sup> half of 2021, vs. EUR 315 million in the 1<sup>st</sup> half of 2020.

**Defense Export** order intake stood at **EUR 1,907 million** for the 1<sup>st</sup> half of 2021, compared to EUR 132 million for the 1<sup>st</sup> half of 2020. During the 1<sup>st</sup> half of 2021, we received an order from Greece for 6 new Rafale aircraft and 12 pre-owned Rafale aircraft to be purchase from the French Air and Space Force.

**Defense France** order intake stood at **EUR 593 million** for the 1<sup>st</sup> half of 2021, vs. EUR 183 million for the 1<sup>st</sup> half of 2020. During the 1<sup>st</sup> half of 2021, we received an order from France for an additional 12 Rafale aircraft.

#### *Falcon programs*

During the 1<sup>st</sup> half of 2021, **25 Falcon orders** were received, compared to 5 in the 1<sup>st</sup> half of 2020.

**Falcon order intake** amounted to **EUR 1,413 million** in the 1<sup>st</sup> half of 2021, vs. EUR 669 million in the 1<sup>st</sup> half of 2020.

## 5.2 Adjusted net sales

**Adjusted net sales** for the 1<sup>st</sup> half of 2021 totaled **EUR 3,107 million**, compared with EUR 2,641 million for the 1<sup>st</sup> half of 2020. **Export** of net sales stood at **87%** in the 1<sup>st</sup> half of 2021.

Consolidated sales were as follows, in **EUR million**:

	H1 2021	%	H1 2020	%
<b>Defense</b>	<b>2,405</b>	77%	<b>1,581</b>	60%
<i>Defense Export</i>	2,061		1,319	
<i>Defense France</i>	344		262	
<b>Falcon</b>	<b>702</b>	23%	<b>1,060</b>	40%
<b>Total adjusted net sales</b>	<b>3,107</b>		<b>2,641</b>	
<i>% Export</i>	87%		89%	

### *Defense programs*

**13 Rafale Export** (India and Qatar) were delivered during the 1<sup>st</sup> half of 2021, compared with 7 Rafale Export for the 1<sup>st</sup> half of 2020.

**Defense net sales** for the 1<sup>st</sup> half of 2021 amounted to **EUR 2,405 million**, vs. EUR 1,581 million for the 1<sup>st</sup> half of 2020.

**Defense Export net sales** stood at **EUR 2,061 million** for the 1<sup>st</sup> half of 2021, vs. EUR 1,319 million for the 1<sup>st</sup> half of 2020. The increase is due to the number of Rafale aircraft delivered (13 vs. 7).

**Defense France net sales** stood at **EUR 344 million** for the 1<sup>st</sup> half of 2021, vs. EUR 262 million for the 1<sup>st</sup> half of 2020.

### *Falcon programs*

**6 Falcon** were delivered in the 1<sup>st</sup> half of 2021, compared to 16 in the 1<sup>st</sup> half of 2020.

**Falcon net sales** for the 1<sup>st</sup> half of 2021 amounted to **EUR 702 million**, vs. EUR 1,060 million for the 1<sup>st</sup> half of 2020. The decrease is due to the number of Falcon aircraft delivered (6 vs. 16).

\*\*\*\*

The "book-to-bill ratio" (order intake/net sales) is 1.26 for the first half of 2021.



## 5.3 Backlog

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The consolidated backlog as of June 30, 2021 was **EUR 16,703 million**, compared with EUR 15,895 million as of December 31, 2020. It consists of:

- **Defense Export backlog**, which stood at **EUR 8,096 million** vs. EUR 8,249 million as of December 31, 2020. This mainly comprised 27 new Rafale Export and 12 pre-owned Rafale Export, vs. 34 new Rafale Export as of December 31, 2020,
- **Defense France backlog**, which stood at **EUR 5,748 million**, vs. EUR 5,499 million as of December 31, 2020. It notably comprises 40 Rafale aircraft, vs. 28 as of December 31, 2020. It also includes the Rafale F4 standard, the RAVEL Operational Condition Maintenance (OCM) contract for the Rafale and the OCEAN OCM contract for the ATL2,
- **Falcon backlog**, which stood at **EUR 2,859 million**, vs. EUR 2,147 million as of December 31, 2020. This consists of 53 Falcon, compared to 34 as of December 31, 2020, including the 9 mission aircraft for the AVSIMar and Archange programs.

## 5.4 Results

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### *Operating income*

**Adjusted operating income for the 1<sup>st</sup> half of 2021** came to **EUR 175 million**, compared to EUR 55 million in the 1<sup>st</sup> half of 2020.

R&D expenses in the 1<sup>st</sup> half of 2021 totaled EUR 250 million, equivalent to 8.0% of net sales, compared to EUR 262 million and 9.9% of net sales in the 1<sup>st</sup> half of 2020.

**Operating margin** stood at **5.6%**, vs. 2.1% for the 1<sup>st</sup> half of 2020. This increase is due to the lower proportion of self-funded R&D, the increase in net sales, and the negative impact of Covid-19 on business in the 1<sup>st</sup> half of 2020.

The hedging rate for the 1<sup>st</sup> half of 2021 was **\$1.19/€**, vs. \$1.18/€ in the 1<sup>st</sup> half of 2020.

### *Net financial income/expense*

**Adjusted financial income for the first half of 2021** was **EUR -11 million**, vs. EUR -19 million for the same period in the previous year. This financial loss was due to accounting principle of the long-term military contracts' financing component.

### *Net income*

**Adjusted net income for the 1<sup>st</sup> half of 2021** came to **EUR 265 million**, compared to EUR 87 million in the 1<sup>st</sup> half of 2020. The contribution of Thales to the Group's net income was EUR 146 million, compared with EUR 58 million during the 1<sup>st</sup> half of 2020.

**Adjusted net margin** thus stood at **8.5%** for the 1<sup>st</sup> half of 2021, vs. 3.3% for the 1<sup>st</sup> half of 2020.

## 6. FINANCIAL STRUCTURE

### 6.1 Available cash

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The Group uses a specific indicator called “Available cash,” which reflects the amount of total liquidities available to the Group, net of financial debts. It includes the following balance sheet items: cash and cash equivalents, current financial assets (at market value) and financial debts; it excludes the impact on financial debts of the application of IFRS 16 “Leases.”

**The Group’s available cash** stands at **EUR 3,502 million as of June 30, 2021**, vs. EUR 3,441 million as of December 31, 2020. This increase is due to the result for the 1<sup>st</sup> half, partially offset by the payment of dividend, investments during the period and the working capital requirement increase.

### 6.2 Balance sheet (IFRS)

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**Total equity** stands at **EUR 4,833 million** as of June 30, 2021, vs. EUR 4,560 million as of December 31, 2020.

Borrowings and financial debt amounted to EUR 248 million as of June 30, 2021, compared to EUR 270 million as of December 31, 2020. Borrowings and financial debt are composed of locked-in employee profit-sharing funds for EUR 106 million and lease liabilities for EUR 142 million.

Inventories and work-in-progress increased by EUR 290 million to stand at EUR 3,671 million as of June 30, 2021. The increase is due to the number of Falcon deliveries during the 1<sup>st</sup> half of the year. The decrease in Defense Export inventories and work-in-progress due to Rafale deliveries during the period was offset by an increase in Defense France inventories and work-in-progress.

Orders down payments cashed-in net of progress payments paid to suppliers, were up EUR 228 million to stand at EUR 4,137 million. Down payments of Defense France and Rafale Greece contracts, as well as Falcon orders explain this increase partially offset by reversals of advances due to Rafale Export deliveries during the period.

The derivative financial instruments market value stood at EUR 3 million as of June 30, 2021, vs. EUR 81 million as of December 31, 2020. The decrease is essentially due to the change in the US dollar exchange rate between June 30, 2021 and December 31, 2020 (\$1.1884/€ vs. \$1.2271/€).

## 7. 2021 GUIDANCE

The Group’s 2021 guidance remains unchanged:

- delivery of 25 new Rafale and 25 new Falcon;
- increase in net sales.

## 8. RISK FACTORS AND MANAGEMENT

The main risks and uncertainties described in the 2020 Annual Report have not undergone any significant changes.



## 9. SHAREHOLDER INFORMATION

The Company's share capital totaled EUR 66,789,624 as of June 30, 2021. It is divided into 8,348,703 equities, each with a par value of EUR 8. The equities are listed on the regulated "Euronext Paris" market – Compartment A – International Securities Identification Numbers (ISIN Code): FR0000121725. They are eligible for deferred settlement. Following the increase in its free float, in 2016 Dassault Aviation joined the following stock market indices: Sociétés des Bourses Françaises 120 (SBF 120) and the Morgan Stanley Capital International World (MSCI World).

As of June 30, 2021, Dassault Aviation shareholders are as follows:

Shareholders	Number of shares	%	Exercisable voting rights <sup>(2)</sup>	%
GIMD	5,196,076	62.2%	10,392,152	76.9%
Float	2,294,085	27.5%	2,302,975	17.0%
Airbus SE	827,529	9.9%	827,529	6.1%
Treasury shares <sup>(1)</sup>	31,013	0.4%	-	0.00%
<b>TOTAL</b>	<b>8,348,703</b>	<b>100.00%</b>	<b>13,522,656</b>	<b>100.00%</b>

<sup>(1)</sup> own shares held in a "directly registered" account, with no voting rights.

<sup>(2)</sup> in accordance with the "Florange" law and in the absence of provisions contrary to Dassault Aviation's Articles of Association, equities held for more than two years in registered form are entitled to double voting rights.

Following the decision of the Annual General Meeting of May 11, 2021, the par value of Dassault Aviation shares will be divided by 10. September 29, 2021 will be the 1<sup>st</sup> day of trading of the new equities, with delivery of the new equities on October 1, 2021.

On that date, in exchange for each of their current shares with a par value of EUR 8 per share, shareholders will receive 10 new shares with a par value of EUR 0.80 per share.

The new ISIN code for Dassault Aviation shares will be: FR0014004L86.

The transaction will have no impact on the tax status or rights of Dassault Aviation shareholders, who will incur no costs and will not be required to complete any formalities. In addition, the total number of shares comprising the share capital will be multiplied by 10, ie. 83,487,030 shares. The total amount of share capital will remain unchanged.

## 10. RELATED-PARTY TRANSACTIONS

The related parties in 1<sup>st</sup> half 2021 are identical to those identified as of December 31, 2020 and the transactions during the period are of the same type.

## 11. CONCLUSION

The 1<sup>st</sup> half of 2021 saw contracts for the Rafale Export and Rafale France, the Falcon 6X maiden flight, the resumption of Falcon orders, the Falcon 10X reveal and its 1<sup>st</sup> orders.

In the military aircraft segment, the year began with the sale to Greece of 18 Rafale (6 new and 12 pre-owned aircraft currently in service with the French military), followed by the sale to France of 12 additional Rafale to replace the 12 pre-owned aircraft sold to Greece, bringing the total Rafale France ordered up to 192.



Egypt also signed a contract to purchase an additional 30 Rafale, bringing the number of Rafale in service in the Egyptian Air Force to 54. The contract shall enter into force upon receipt of the 1<sup>st</sup> down payment and therefore it is not included in the backlog as of June 30<sup>th</sup>, 2021.

Croatia announced that it had selected the Rafale with a view to acquiring 12 pre-owned aircraft from France.

We also continued negotiations and prospections for the Rafale.

Active discussions and negotiations for the FCAS continued during the 1<sup>st</sup> half of 2021:

- the Joint Concept Study (JCS) launched in January 2019 is nearing completion;
- launched in February 2020, phase 1A of the FCAS demonstrators, and the New Generation Fighter in particular, is continuing. The focus is on aerodynamics, with the first wind tunnel tests scheduled for September 2021.

The contract for phase 1B (under negotiation) is still to be signed. This will cover all the work carried out jointly between France, Germany and Spain until 2024 (NGF demonstrator studies, for which Dassault Aviation is the prime contractor). Discussions are being finalized with the French Defense Procurement Agency (DGA) on intellectual property rights.

The contract for the Eurodrone, a medium-altitude, long-endurance drone, between the OCCAR (Organisation for Joint Armament Cooperation) and Airbus Defence and Space (the prime contractor) has been negotiated. Notification is expected in 2<sup>nd</sup> half 2021. The contracts between Airbus Defence and Space and its main partners, Leonardo and Dassault Aviation, are being negotiated. Dassault Aviation will be responsible for flight controls and mission communications in particular.

During the 1<sup>st</sup> half of the year, we delivered 13 Rafale Export (India and Qatar) and continued to support the French and Export fleets.

In the civil aircraft segment, our development efforts started to show results with the successful maiden flight of the Falcon 6X on March 10, 2021, (this flight has been dedicated to Olivier Dassault who died tragically in March 2021) demonstrating the maturity of the program and paving the way for pre-certification testing. On May 6, 2021, we unveiled the Falcon 10X, our new long-range business jet featuring the most spacious cabin on the market.

The business aviation market showed encouraging signs of improvement during the 1<sup>st</sup> half of 2021, particularly with the recovery of air travel in the United States. Nevertheless, we note that price pressures remain. The pre-owned business jet market is buoyant.

We delivered 6 Falcon during the 1st half of the year and booked 25 new aircraft orders (vs. 16 deliveries and 5 orders in 1st half 2020).

Lastly, following the decision of the Annual General Meeting of May 11, 2021, the par value of Dassault Aviation shares will be divided by 10. The new shares will be delivered on October 1, 2021. On that date, in exchange for each of their current shares with a par value of EUR 8 per share, shareholders will receive 10 new shares with a par value of EUR 0.80 per share.

Our 2021 guidance remains unchanged:

- delivery of 25 new Rafale and 25 new Falcon;
- increase in net sales.

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The Board of Directors would like to thank all personnel for their commitment, efficiency and expertise in ensuring the commercial success and implementation of our programs.

## APPENDIX

### FINANCIAL REPORTING

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IFRS 8 “Operating Segments” requires the presentation of information per segment according to internal management criteria.

The entire activity of the Dassault Aviation Group relates to the aerospace domain. The internal reporting made to the Chairman and Chief Executive Officer, and to the Chief Operating Officer, as used for the strategy and decision-making, includes no performance analysis, under the terms of IFRS 8, at a level subsidiary to this domain.

### DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS

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To reflect the Group’s actual economic performance, and for monitoring and comparability reasons, the Group presented an adjusted income statement of:

- foreign exchange gains/losses resulting from the exercise of hedging instruments which do not qualify for hedge accounting under IFRS standards. This income, presented as net financial income in the consolidated financial statements, is reclassified as net sales and thus as operating income in the adjusted income statement;
- the value of foreign exchange derivatives which do not qualify for hedge accounting, by neutralizing the change in fair value of these instruments (the Group considering that gains or losses on hedging should only impact net income as commercial flows occur), with the exception of derivatives allocated to hedge balance-sheet positions whose change in fair value is presented as operating income;
- amortization of assets valued as part of the purchase price allocation (business combinations), known as “PPA”;
- adjustments made by Thales in its financial reporting.

The Group also presents the “available cash” indicator which reflects the amount of the Group’s total liquidities, net of financial debt. It covers the following balance sheet items:

- cash and cash equivalents;
- other current financial assets (essentially available-for-sale marketable securities at their market value);
- financial debt, except for lease liabilities recorded following the application of IFRS 16 “Leases”.

Only consolidated financial statements are audited by statutory auditors. Adjusted financial data are subject to the verification procedures applicable to all information provided in the annual report.

## IMPACT OF ADJUSTMENTS

The impact of the adjustments of income statement aggregates for the 1<sup>st</sup> half 2021 is set out below:

(in EUR thousands)	Consolidated income statement H1 2021	Foreign exchange derivatives		PPA	Adjustments applied by Thales	Adjusted income statement H1 2021
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	3,106,206	- 368	883			<b>3,106,721</b>
<b>Operating income</b>	177,224	- 368	- 3,865	1,688		<b>174,679</b>
Net financial income/expense	- 31,154	368	19,442			<b>- 11,344</b>
Share in net income of equity associates	108,527			1,501	39,152	<b>149,180</b>
Income tax	- 42,798		- 4,255	- 342		<b>- 47,395</b>
<b>Net income</b>	211,799	0	11,322	2,847	39,152	<b>265,120</b>
<i>Group share of net income</i>	<i>211,799</i>	<i>0</i>	<i>11,322</i>	<i>2,847</i>	<i>39,152</i>	<i>265,120</i>
Group share of net income per equity (in euros)	25.5					31.9

The impact of the adjustments of income statement aggregates for the 1<sup>st</sup> half 2020 is set out below:

(in EUR thousands)	Consolidated income statement H1 2020	Foreign exchange derivatives		PPA	Adjustments applied by Thales	Adjusted income statement H1 2020
		Foreign exchange gain/loss	Change in fair value			
<b>Net sales</b>	2,645,678	-4,430	184			<b>2,641,432</b>
<b>Operating income</b>	56,747	-4,430	154	2,484		<b>54,955</b>
Net financial income/expense	-37,733	4,430	14,897			<b>-18,406</b>
Share in net income of equity associates	17,251			1,427	41,249	<b>59,927</b>
Income tax	-4,256		-4,404	-454		<b>-9,114</b>
<b>Net income</b>	32,009	0	10,647	3,457	41,249	<b>87,362</b>
<i>Group share of net income</i>	<i>32,009</i>	<i>0</i>	<i>10,647</i>	<i>3,457</i>	<i>41,249</i>	<i>87,362</i>
Group share of net income per equity (in euros)	3.8					10.5



**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
AS OF JUNE 30, 2021**



## **ASSETS**

(in EUR thousands)	Notes	<b>06.30.2021</b>	<b>12.31.2020</b>
Goodwill	3	65,957	65,957
Intangible assets		61,103	56,224
Property, plant and equipment		1,128,918	1,130,072
Equity associates	4	1,888,714	1,753,928
Other non-current financial assets	5	176,962	189,791
Deferred tax assets	15	301,223	334,762
<b>Non-current assets</b>		<b>3,622,877</b>	<b>3,530,734</b>
Inventories and work-in-progress	6	3,671,303	3,381,541
Contract assets	11	22,963	10,252
Trade and other receivables		1,302,182	1,391,578
Advances and progress payments to suppliers	11	1,787,594	1,748,750
Derivative financial instruments	18	21,282	84,303
Other current financial assets	7	829,056	868,015
Cash and cash equivalents	7	2,778,337	2,696,283
<b>Current assets</b>		<b>10,412,717</b>	<b>10,180,722</b>
<b>TOTAL ASSETS</b>		<b>14,035,594</b>	<b>13,711,456</b>



## LIABILITIES

(in EUR thousands)	Notes	06.30.2021	12.31.2020
Capital	8	66,790	66,790
Consolidated reserves and retained earnings		4,823,747	4,580,248
Currency translation adjustments		-27,523	-54,334
Treasury shares	8	-30,393	-32,753
<b>Total attributable to the owners of the parent company</b>		<b>4,832,621</b>	<b>4,559,951</b>
Non-controlling interests		0	0
<b>Equity</b>		<b>4,832,621</b>	<b>4,559,951</b>
Long-term borrowings and financial debt	9	205,752	220,995
Deferred tax liabilities	15	4,843	5,440
<b>Non-current liabilities</b>		<b>210,595</b>	<b>226,435</b>
Contract liabilities	11	6,303,064	6,225,243
Trade and other payables		956,897	922,898
Tax and social security liabilities		354,495	311,246
Short-term borrowings and financial debt	9	41,931	49,419
Provisions for contingencies and charges	10	1,317,622	1,412,702
Derivative financial instruments	18	18,369	3,562
<b>Current liabilities</b>		<b>8,992,378</b>	<b>8,925,070</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,035,594</b>	<b>13,711,456</b>

## **INCOME STATEMENT**

(in EUR thousands)	Notes	H1 2021	H1 2020	2020
<b>Net sales</b>	12	<b>3,106,206</b>	<b>2,645,678</b>	<b>5,491,592</b>
Other revenue		34,179	40,814	79,382
Change in inventories of work-in-progress		141,416	9,618	-237,184
Purchases consumed		-2,297,697	-1,860,934	-3,772,749
Personnel expenses		-689,521	-611,995	-1,206,355
Taxes and social security contributions		-35,410	-41,639	-66,976
Depreciation and amortization		-72,571	-77,483	-156,880
Net allocations to provisions		-13,825	-44,728	159,511
Other operating income and expenses		4,447	-2,584	-44,178
<b>Operating income</b>		<b>177,224</b>	<b>56,747</b>	<b>246,163</b>
Cost of net financial debt		-12,821	-21,885	-39,909
Other financial income and expenses		-18,333	-15,848	52,125
<b>Net financial income/expense</b>	14	<b>-31,154</b>	<b>-37,733</b>	<b>12,216</b>
Share in net income of equity associates	4	108,527	17,251	121,282
Income tax	15	-42,798	-4,256	-76,902
<b>Net income</b>		<b>211,799</b>	<b>32,009</b>	<b>302,759</b>
<i>Attributable to the owners of the Parent Company</i>		<i>211,799</i>	<i>32,009</i>	<i>302,759</i>
<i>Attributable to non-controlling interests</i>		<i>0</i>	<i>0</i>	<i>0</i>
<b>Basic earnings per share (in EUR)</b>	16	<b>25.5</b>	<b>3.8</b>	<b>36.4</b>
<b>Diluted earnings per share (in EUR)</b>	16	<b>25.5</b>	<b>3.8</b>	<b>36.4</b>





## STATEMENT OF RECOGNIZED INCOME AND EXPENSE

### H1 2021

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	H1 2021
<b>Net income</b>		<b>103,272</b>	<b>108,527</b>	<b>211,799</b>
Derivative financial instruments (1)	4, 18	-58,386	-8,268	-66,654
Deferred taxes	4, 15	15,248	4,345	19,593
Currency translation adjustments		21,757	5,054	26,811
<b>Items to be subsequently recycled to P&amp;L</b>		<b>-21,381</b>	<b>1,131</b>	<b>-20,250</b>
Other non-current financial assets	5	11,182	1,684	12,866
Actuarial adjustments on pension benefit obligations	4, 10	102,088	100,425	202,513
Deferred taxes	4, 15	-28,633	-2,897	-31,530
<b>Items that will not be recycled to P&amp;L</b>		<b>84,637</b>	<b>99,212</b>	<b>183,849</b>
<b>Recognized income and expense under equity</b>		<b>63,256</b>	<b>100,343</b>	<b>163,599</b>
<b>Recognized income and expense</b>		<b>166,528</b>	<b>208,870</b>	<b>375,398</b>
<i>Owners of the Parent Company</i>		<i>166,528</i>	<i>208,870</i>	<i>375,398</i>
<i>Non-controlling interests</i>		<i>0</i>		<i>0</i>

(1) the amounts stated represent the change in the market value over the period for instruments that qualify for hedge accounting. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.

### H1 2020

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	H1 2020
<b>Net income</b>		<b>14,758</b>	<b>17,251</b>	<b>32,009</b>
Derivative financial instruments (1)	4, 18	-48,706	4,808	-43,898
Deferred taxes	4, 15	13,856	-1,928	11,928
Currency translation adjustments		3,383	-11,957	-8,574
<b>Items to be subsequently recycled to P&amp;L</b>		<b>-31,467</b>	<b>-9,077</b>	<b>-40,544</b>
Other non-current financial assets	5	-19,895	-1,976	-21,871
Actuarial adjustments on pension benefit obligations	4, 10	13,194	-144,319	-131,125
Deferred taxes	4, 15	1,543	5,681	7,224
<b>Items that will not be recycled to P&amp;L</b>		<b>-5,158</b>	<b>-140,614</b>	<b>-145,772</b>
<b>Recognized income and expense under equity</b>		<b>-36,625</b>	<b>-149,691</b>	<b>-186,316</b>
<b>Recognized income and expense</b>		<b>-21,867</b>	<b>-132,440</b>	<b>-154,307</b>
<i>Owners of the Parent Company</i>		<i>-21,867</i>	<i>-132,440</i>	<i>-154,307</i>
<i>Non-controlling interests</i>		<i>0</i>		<i>0</i>

(1) the amounts stated represent the change in the market value over the period for instruments that qualify for hedge accounting. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.



## Year 2020

(in EUR thousands)	Notes	Fully consolidated companies	Equity associates	2020
<b>Net income</b>		<b>181,477</b>	<b>121,282</b>	<b>302,759</b>
Derivative financial instruments (1)	4, 18	104,552	37,106	141,658
Deferred taxes	4, 15	-29,178	-11,059	-40,237
Currency translation adjustments		-61,625	-27,317	-88,942
<b>Items to be subsequently recycled to P&amp;L</b>		<b>13,749</b>	<b>-1,270</b>	<b>12,479</b>
Other non-current financial assets	5	-19,493	-13,770	-33,263
Actuarial adjustments on pension benefit obligations	4, 10	-9,008	-158,417	-167,425
Deferred taxes	4, 15	6,417	13,368	19,785
<b>Items that will not be recycled to P&amp;L</b>		<b>-22,084</b>	<b>-158,819</b>	<b>-180,903</b>
<b>Recognized income and expense under equity</b>		<b>-8,335</b>	<b>-160,089</b>	<b>-168,424</b>
<b>Recognized income and expense</b>		<b>173,142</b>	<b>-38,807</b>	<b>134,335</b>
<i>Owners of the Parent Company</i>		<i>173,142</i>	<i>-38,807</i>	<i>134,335</i>
<i>Non-controlling interests</i>		<i>0</i>		<i>0</i>

(1) the amounts stated represent the change in the market value over the period for instruments that qualify for hedge accounting. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.



## STATEMENT OF CHANGES IN EQUITY

### 2020 and H1 2021

(in EUR thousands)	Capital	Consolidated reserves and retained earnings		Currency translation adjustments	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated retained earnings and other reserves	Derivative financial instruments					
<b>As of 12.31.2019</b>	<b>66,790</b>	<b>4,431,615</b>	<b>-52,191</b>	<b>34,608</b>	<b>-34,888</b>	<b>4,445,934</b>	<b>151</b>	<b>4,446,085</b>
<i>Net income for the year</i>		302,759				302,759		302,759
<i>Recognized income and expense under equity</i>		-180,903	101,421	-88,942		-168,424		-168,424
Recognized income and expense		121,856	101,421	-88,942		134,335		134,335
Dividends paid (1)		0				0		0
Share-based payment (2)		2,568				2,568		2,568
Movements on treasury shares (2)		-2,135			2,135	0		0
Other changes (3)		-22,886				-22,886	-151	-23,037
<b>As of 12.31.2020</b>	<b>66,790</b>	<b>4,531,018</b>	<b>49,230</b>	<b>-54,334</b>	<b>-32,753</b>	<b>4,559,951</b>	<b>0</b>	<b>4,559,951</b>
<i>Net income for the year</i>		211,799				211,799		211,799
<i>Recognized income and expense under equity</i>		183,849	-47,061	26,811		163,599		163,599
Recognized income and expense		395,648	-47,061	26,811		375,398		375,398
Dividends paid		-102,308				-102,308		-102,308
Share-based payment (2)		1,789				1,789		1,789
Movements on treasury shares (2)		-2,360			2,360	0		0
Other movements (3)		-2,209				-2,209		-2,209
<b>As of 06.30.2021</b>	<b>66,790</b>	<b>4,821,578</b>	<b>2,169</b>	<b>-27,523</b>	<b>-30,393</b>	<b>4,832,621</b>	<b>0</b>	<b>4,832,621</b>

(1) due to the health situation, the Annual General Meeting of May 12, 2020 approved the Board of Directors' April 1, 2020 proposal not to pay a dividend for 2019 results.

(2) see Note 8.

(3) for Thales, this mainly represents the impact of changes in consolidation scope, change in treasury shares, employee share issues and share-based payments. In the first half of 2021, other movements also include the impact of DRAL entry into the Group's scope of consolidation (see Note 2).

## H1 2020

(in EUR thousands)	Capital	Consolidated reserves and retained earnings		Currency translation adjustments	Treasury shares	Total attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Additional paid-in capital, consolidated retained earnings and other reserves	Derivative financial instruments					
<b>As of 12.31.2019</b>	<b>66,790</b>	<b>4,431,615</b>	<b>-52,191</b>	<b>34,608</b>	<b>-34,888</b>	<b>4,445,934</b>	<b>151</b>	<b>4,446,085</b>
<i>Net income for the year</i>		32,009				32,009		32,009
<i>Recognized income and expense under equity</i>		-145,772	-31,970	-8,574		-186,316		-186,316
Recognized income and expense		-113,763	-31,970	-8,574		-154,307		-154,307
Dividends paid (1)		0				0		0
Share-based payment		2,020				2,020		2,020
Movements on treasury shares		-2,135			2,135	0		0
Other movements (2)		-16,157				-16,157	-151	-16,308
<b>As of 06.30.2020</b>	<b>66,790</b>	<b>4,301,580</b>	<b>-84,161</b>	<b>26,034</b>	<b>-32,753</b>	<b>4,277,490</b>	<b>0</b>	<b>4,277,490</b>

(1) due to the health situation, the Annual General Meeting of May 12, 2020 approved the Board of Directors' April 1, 2020 proposal not to pay a dividend for 2019 results.

(2) for Thales, this mainly represents the impact of changes in consolidation scope, change in treasury shares, employee share issues and share-based payments.



## CASH FLOW STATEMENT

(in EUR thousands)	Notes	H1 2021	H1 2020	2020
<b>I – Statement of cashflows</b>				
<b>Net income</b>		<b>211,799</b>	<b>32,009</b>	<b>302,759</b>
Cancellation of net income of equity associates, net of dividends received	4	-32,935	-12,708	-95,833
Cancellation of gains and losses from disposals of non-current assets		46	2,022	24,842
Change in the fair value of derivative financial instruments	18	19,442	14,693	-47,015
Change in fair value of other current and non-current financial assets	5, 7	1,531	2,665	448
Income tax (including deferred taxes)	15	42,798	4,256	76,902
Allocations to and reversals of amortization and provisions (excluding those related to working capital)		64,188	75,211	41,417
Other items		1,789	2,020	2,568
<b>Net cash from operating activities before working capital changes and taxes</b>		<b>308,658</b>	<b>120,168</b>	<b>306,088</b>
<b>Income taxes paid</b>	15	<b>-22,031</b>	<b>3,856</b>	<b>-5,885</b>
Change in inventories and work-in-progress (net)	6	-276,261	-188,134	-47,616
Change in contract assets	11	-12,699	1,147	4,482
Change in trade and other receivables (net)		92,996	-160,595	-172,529
Change in advances and progress payments to suppliers	11	-38,797	286,308	614,854
Change in contract liabilities	11	71,787	-484,518	-1,137,681
Change in trade and other payables		31,899	-183,278	-147,302
Change in tax and social security liabilities		42,344	69,260	20,360
<b>Increase (-) or decrease (+) in working capital requirement</b>		<b>-88,731</b>	<b>-659,810</b>	<b>-865,432</b>
<b>Total I</b>		<b>197,896</b>	<b>-535,786</b>	<b>-565,229</b>
<b>II - Net cash flows from investing activities</b>				
Purchase of intangible assets and property, plant & equipment (1)		-82,152	-96,274	-470,845
Increase in other non-current financial assets	5	-1,327	-540	-2,455
Disposals of or reductions in non-current assets (1)		53,328	11,865	1,867
Net cash from acquisitions and disposals of subsidiaries		0	-13,257	-13,257
<b>Total II</b>		<b>-30,151</b>	<b>-98,206</b>	<b>-484,690</b>
<b>III - Net cash flows from financing activities</b>				
Net change, as an acquisition cost, of other current financial assets	7	37,538	320,663	564,608
Increase in financial debt	9	43,715	116,383	116,546
Repayment of financial debt	9	-78,338	-380,187	-430,517
Dividends paid during the year		-102,308	0	0
<b>Total III</b>		<b>-99,393</b>	<b>56,859</b>	<b>250,637</b>
IV - Impact of exchange rate fluctuations		13,702	2,399	-37,318
<b>Change in net cash and cash equivalents (I+II+III+IV)</b>		<b>82,054</b>	<b>-574,734</b>	<b>-836,600</b>
Opening net cash and cash equivalents	7	2,696,283	3,532,883	3,532,883
Closing net cash and cash equivalents	7	2,778,337	2,958,149	2,696,283

(1) from December 31, 2020, reversals of down payments on fixed assets orders are presented as a reduction in purchase of intangible assets and property, plant & equipment and no longer as disposals of or reductions in non-current assets.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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- 1.2 Segment reporting

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## Note 1 - Accounting principles

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### 1.1. General principles

On July 22, 2021, the Board of Directors closed and authorized the publication of Dassault Aviation's condensed consolidated financial statements as of June 30, 2021.

Dassault Aviation Group prepares its interim condensed consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting". The consolidated financial statements are in accordance with the IFRS standards, amendments, and interpretations, as adopted by the European Union and applicable at the closing date.

The half-yearly financial accounts are prepared in accordance with the accounting rules and methods used to prepare the 2020 consolidated financial statements.

### **Specificities of interim consolidated financial statements**

#### Seasonality

In previous fiscal years, a recurring seasonality phenomenon has been observed. As a result, the interim results as of June 30, 2021 are not necessarily representative of what might be expected for the fiscal year 2021.

#### Provisions for retirement severance payments

Pension costs for the half-year are calculated on the basis of the actuarial valuations performed at the end of the previous fiscal year. If necessary, these valuations are adjusted to take into account curtailments, settlements or other major non-recurring events during the period. Furthermore, amounts recognized in equity and liabilities in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield of investment-grade corporate bonds issued in the geographic area concerned (the benchmark used to determine the discount rate) and the actual return on plan assets.

#### Goodwill

Goodwill is tested for impairment at each year-end and whenever there is evidence of impairment. No new evidence of impairment was identified during the first half of 2021.

#### Income taxes

For the half year closing, the tax expense (current and deferred) is calculated by applying to the accounting result of the period the estimated annual weighted average tax rate expected on the basis of the rates adopted on June 30, 2021.

### 1.2. Segment reporting

IFRS 8, "Operating Segments", requires the presentation of information according to internal management criteria. The activity of the Dassault Aviation Group relates entirely to the aerospace sector. The internal reporting submitted to the Chairman and Chief Executive Officer and to the Chief Operating Officer, which is used for strategy and decision-making, includes no performance analysis, as defined by IFRS 8, at a level lower than this sector.

## Note 2 - Scope of consolidation

### 2.1. Scope as of June 30, 2021

The consolidated financial statements comprise the financial statements of Dassault Aviation and the following entities:

Name	Country	% Interest (1)		Consolidation method (2)
		06.30.2021	12.31.2020	
<b>Dassault Aviation (3)</b>	<b>France</b>	<b>Parent company</b>	<b>Parent company</b>	
<b>Dassault Aviation Business Services</b>	<b>Switzerland</b>	<b>100</b>	<b>100</b>	<b>FC</b>
<b>Dassault Falcon Jet</b>	<b>United States</b>	<b>100</b>	<b>100</b>	<b>FC</b>
- Dassault Falcon Jet Wilmington	United States	100	100	FC
- Dassault Aircraft Services	United States	100	100	FC
- Dassault Falcon Jet Leasing	United States	100	100	FC
- Aero Precision	United States	50	50	EM
- Midway	United States	100	100	FC
- Dassault Falcon Jet Do Brazil	Brazil	100	100	FC
<b>Dassault Falcon Service</b>	<b>France</b>	<b>100</b>	<b>100</b>	<b>FC</b>
- Falcon Training Center	France	50	50	EM
<b>Dassault Reliance Aerospace Ltd</b>	<b>India</b>	<b>49</b>	<b>-</b>	<b>EM</b>
<b>ExecuJet</b>				
- ExecuJet MRO Services Australia	Australia	100	100	FC
- ExecuJet MRO Services New Zealand	New Zealand	100	100	FC
- ExecuJet MRO Services Belgium	Belgium	100	100	FC
- ExecuJet Services Malaysia	Malaysia	100	100	FC
- ExecuJet MRO Services	South Africa	100	100	FC
- ExecuJet MRO Services Middle East	Dubai	100	100	FC
<b>Sogitec Industries</b>	<b>France</b>	<b>100</b>	<b>100</b>	<b>FC</b>
<b>TAG Maintenance Services</b>	<b>Switzerland</b>	<b>100</b>	<b>100</b>	<b>FC</b>
- TAG Maintenance Services Le Bourget	France	100	100	FC
- TAG Maintenance Services Farnborough	England	100	100	FC
- TAG Maintenance Services Portugal	Portugal	100	100	FC
<b>Thales</b>	<b>France</b>	<b>25</b>	<b>25</b>	<b>EM</b>

(1) the equity interest percentages are identical to the percentages of control for all Group companies except for Thales, for which the Group held 24.62% of the capital, 24.67% of the interest rights and 29.84% of the voting rights as of June 30, 2021.

(2) FC: full consolidation, EM: equity method.

(3) identity of the parent company: Dassault Aviation, a Société Anonyme (limited company) with capital of EUR 66,789,624, listed and registered in France, Paris Trade Register No. 712 042 456 - 9, Rond-Point des Champs-Élysées - Marcel Dassault, 75008 Paris.





## 2.2. Changes in scope

Effective January 1, 2021, Dassault Reliance Aerospace Ltd joined the scope of consolidation of the Dassault Aviation Group.

Established in 2017 and 49% owned, Dassault Reliance Aerospace Ltd assembles and produces civil and military aerostructure parts and subassemblies.

Dassault Reliance Aerospace Ltd is consolidated by the equity method. The impacts of this change in scope on the financial statements are not material.

## Note 3 - Goodwill

Goodwill amounted to EUR 65,957 thousand as of June 30, 2021:

(in EUR thousands)	06.30.2021	12.31.2020
Dassault Aviation Business Services	6,625	6,625
Dassault Falcon Service	3,702	3,702
Dassault Falcon Jet	5,887	5,887
ExecuJet	34,914	34,914
Sogitec	4,777	4,777
TAG Maintenance Services	10,052	10,052
<b>Goodwill</b>	<b>65,957</b>	<b>65,957</b>

In the absence of new evidence of impairment, goodwill was not tested for impairment as of June 30, 2021.

In accordance with IFRS, goodwill relating to Thales, which is accounted for by the equity method, is included in "Equity associates" (see Note 4).

## Note 4 - Equity associates

### 4.1. Group share in net assets and net income of equity associates

As of June 30, 2021, Dassault Aviation held 24.67% of the interest rights of the Thales Group, compared with 24.68% as of December 31, 2020. Dassault Aviation has significant influence over Thales, especially with regard to the shareholders' agreement between Dassault Aviation and the Public Sector.

(in EUR thousands)	Equity associates		Share in net income of equity associates		
	06.30.2021	12.31.2020	H1 2021	H1 2020	2020
Thales (1)	1,864,983	1,731,178	105,221	15,118	116,451
Other	23,731	22,750	3,306	2,133	4,831
<b>Total</b>	<b>1,888,714</b>	<b>1,753,928</b>	<b>108,527</b>	<b>17,251</b>	<b>121,282</b>

(1) the value of the securities includes goodwill amounting to EUR 1,101,297 thousand. The Group share in Thales' net income after consolidation restatements is detailed in Note 4.3 below.

### 4.2. Change in equity associates

(in EUR thousands)	H1 2021	2020
<b>As of January 1</b>	<b>1,753,928</b>	<b>1,841,218</b>
Share in net income of equity associates	108,527	121,282
Elimination of dividends paid (1)	-75,592	-25,449
Income and expense recognized directly through equity		
- Securities at fair value	1,684	-13,770
- Derivative financial instruments (2)	-8,268	37,106
- Actuarial adjustments on pension benefit obligations	100,425	-158,417
- Deferred taxes	1,448	2,309
- Currency translation adjustments	5,054	-27,317
Share of equity associates in other income and expense recognized directly through equity	100,343	-160,089
Other movements (3)	1,508	-23,034
<b>At the end of period</b>	<b>1,888,714</b>	<b>1,753,928</b>

(1) in H1 2021, the Group received EUR 71,443 thousand in dividends from Thales for 2020. In 2020, Thales paid the Group EUR 21,013 thousand in interim dividends for 2020 (Thales did not pay the final dividend for 2019 in 2020).

(2) the amounts stated correspond to the change in the market value of the portfolio over the period. They are not representative of the actual gain/loss that will be recognized when the hedges are exercised.

(3) for Thales, this mainly represents the impact of changes in consolidation scope, change in treasury shares, employee share issues and share-based payments. Other movements also include the impact of DRAL entry into the Group's scope of consolidation.



#### 4.3. Share in net income of Thales (equity associate)

The breakdown between the Group share of Thales' published net income and that applied by Dassault Aviation is noted below:

(in EUR thousands)	H1 2021	H1 2020	2020
<b>Thales net income (100%)</b>	<b>432,600</b>	<b>65,100</b>	<b>483,400</b>
<b>Thales net income - Dassault Aviation share</b>	<b>106,722</b>	<b>16,080</b>	<b>119,303</b>
Post-tax amortization of the purchase price allocation (1)	-1,501	-1,427	-2,852
Other consolidation restatements	0	465	0
<b>Dassault Aviation share in the net income of Thales</b>	<b>105,221</b>	<b>15,118</b>	<b>116,451</b>

(1) amortization of identified assets for which the modes and periods of depreciation are identical to those used for the year ended December 31, 2020.

#### 4.4. Impairment

Based on the market price of Thales shares as of June 30, 2021 (EUR 86.04 per share), Dassault Aviation's investment in Thales is valued at EUR 4,520 million. In the absence of objective evidence of impairment, the Thales shares were not tested for impairment as of June 30, 2021.

### Note 5 - Other non-current financial assets

(in EUR thousands)	12.31.2020	Increase	Decrease	Change in fair value	Other	06.30.2021
Non-listed securities (1)	119,385	0	-3,717	-873	-7	114,788
Embraer shares (1)	9,264	0	0	12,055	0	21,319
Other financial assets	61,142	1,327	-21,504	-110	0	40,855
<i>Receivables from equity investments</i>	<i>21,438</i>	<i>377</i>	<i>-181</i>	<i>0</i>	<i>0</i>	<i>21,634</i>
<i>Advance lease payments</i>	<i>37,265</i>	<i>430</i>	<i>-21,197</i>	<i>0</i>	<i>0</i>	<i>16,498</i>
<i>Other</i>	<i>2,439</i>	<i>520</i>	<i>-126</i>	<i>-110</i>	<i>0</i>	<i>2,723</i>
<b>Other non-current financial assets</b>	<b>189,791</b>	<b>1,327</b>	<b>-25,221</b>	<b>11,072</b>	<b>-7</b>	<b>176,962</b>

(1) non-consolidated, non-listed investments and Embraer shares are measured at fair value, with a corresponding entry in other recognized income and expense under equity, which cannot be recycled in income or loss. The risk analysis relating to all other non-current financial assets of the Group is described in Note 18.

The decrease in non-listed securities relates to the removal of the securities of Dassault Reliance Aerospace Ltd, accounted for by the equity method since January 1, 2021.

### Note 6 - Inventories and work-in-progress

(in EUR thousands)	06.30.2021			12.31.2020
	Gross	Impairment	Net	Net
Raw materials	251,184	-82,221	168,963	158,992
Work-in-progress	2,421,994	-17,095	2,404,899	2,254,906
Semi-finished and finished goods	1,412,091	-314,650	1,097,441	967,643
<b>Inventories and work-in-progress</b>	<b>4,085,269</b>	<b>-413,966</b>	<b>3,671,303</b>	<b>3,381,541</b>

The increase in inventories and work-in-progress is due to the number of Falcon deliveries during H1. The decrease in Defense Export inventories and work-in-progress linked to Rafale deliveries during the period was offset by an increase in Defense France inventories and work-in-progress.



## Note 7 - Cash

### 7.1. Net cash

(in EUR thousands)	06.30.2021	12.31.2020
Cash equivalents (1)	1,707,007	1,696,105
Cash at bank and in hand	1,071,330	1
<b>Cash and cash equivalents</b>	<b>2,778,337</b>	<b>2,696,283</b>
Bank overdrafts	0	0
<b>Net cash in the cash flow statement</b>	<b>2,778,337</b>	<b>2,696,283</b>

(1) mainly time deposits and cash equivalent marketable securities. The corresponding risk analysis is described in Note 18.

### 7.2. Available cash

The Group uses an alternative performance indicator, referred to as "Available cash," which reflects the total liquidities available to the Group, net of any financial debt, except for lease liabilities recognized following the application of IFRS 16. It is calculated as follows:

(in EUR thousands)	06.30.2021	12.31.2020
Other current financial assets (at market value) (1)	829,056	868,015
Cash and cash equivalents (at market value)	2,778,337	2,696,283
<b>Sub-total</b>	<b>3,607,393</b>	<b>3,564,298</b>
Borrowings and financial debt, excluding lease liabilities (2)	-105,780	-122,973
<b>Available cash</b>	<b>3,501,613</b>	<b>3,441,325</b>

(1) other current financial assets, which include in particular Group cash plan assets in the form of listed marketable securities, are measured at fair value through profit or loss. Given their liquidity, the latter could be disposed of in the short-term.

(2) see breakdown of financial debt in Note 9.

A comprehensive analysis of the performance of listed marketable securities, classified in other current financial assets and in cash equivalents, is carried out at each closing date. The investment portfolio does not present, on a line-by-line basis, any objective evidence of significant impairment as of June 30, 2021 (just as for December 31, 2020). The corresponding risk analysis is described in Note 18.



## Note 8 - Equity

### 8.1. Share capital

The share capital amounted to EUR 66,790 thousand and consisted of 8,348,703 common shares of EUR 8 each as of June 30, 2021, just as for December 31, 2020. The distribution of share capital as of June 30, 2021 is as follows:

	Shares	% Capital	% Voting rights
GIMD (1)	5,196,076	62.2%	76.9%
Float	2,294,085	27.5%	17.0%
Airbus SE	827,529	9.9%	6.1%
Dassault Aviation (treasury shares)	31,013	0.4%	-
<b>Total</b>	<b>8,348,703</b>	<b>100%</b>	<b>100%</b>

(1) the Parent Company, Groupe Industriel Marcel Dassault (GIMD), located at 9, Rond-Point des Champs-Élysées - Marcel Dassault, 75008 Paris, fully consolidates the Group's financial statements.

### 8.2. Treasury shares

Movements on treasury shares are detailed below:

(in number of shares)	H1 2021	H1 2020	2020
<b>Treasury shares at January 1</b>	<b>33,421</b>	<b>35,600</b>	<b>35,600</b>
Share-based payment (see Note 8.3)	-2,408	-2,179	-2,179
<b>Treasury shares at the closing date</b>	<b>31,013</b>	<b>33,421</b>	<b>33,421</b>

The impact of treasury shares on the Group's consolidated financial statements is detailed in the statement of changes in equity.

The 31,013 treasury shares held as of June 30, 2021 were allocated to potential performance share plans and a potential liquidity contract in order to ensure market activity.

### 8.3. Share-based payment

The Group grants performance shares to the corporate officers. The features of these share plans are described in the Directors' report.

Grant date	Vesting period	Number of shares allocated	Share price on the grant date	Number of shares delivered in 2021	Number of shares canceled (1)	Balance of free shares as of 06/30/2021
26.02.2020	from 02.26.2020 to 02.25.2021	2,250	€1,076	2,408	0	0
03.04.2021	from 03.04.2021 to 03.03.2022	2,700	€944	0	0	2,700

(1) shares canceled in the event of partial or total non-achievement of performance conditions.

The Group did not grant any stock option plans to its employees and senior executives.

#### 2020 Plan

An expense of EUR 1,404 thousand was recorded in the first half of 2021 for this plan, which had a fair value of EUR 2,324 thousand (average of EUR 965 per share).

#### 2021 Plan

An expense of EUR 385 thousand was recorded in the first half of 2021 for this plan, which have a fair value of EUR 2,376 thousand (average of EUR 880 per share).

## Note 9 - Borrowings and financial debt

(in EUR thousands)	Bank borrowings	Lease liabilities	Other borrowings and financial debt (1)	Borrowings and financial debt
<b>As of December 31, 2020</b>	<b>463</b>	<b>147,441</b>	<b>122,510</b>	<b>270,414</b>
Change in scope	0	0	0	0
Increase	0	11,221	43,715	54,936
Decrease	-457	-17,821	-60,445	-78,723
Other	-6	1,062	0	1,056
<b>As of June 30, 2021</b>	<b>0</b>	<b>141,903</b>	<b>105,780</b>	<b>247,683</b>

(1) other financial liabilities essentially correspond to the locked-in employee profit-sharing funds. Employee profit-sharing is an "other long-term benefit" and should be measured and discounted in accordance with the principles of IAS 19 (revised). However, given the small historical differences between compensation rates and discount rates, the Group considers the amortized cost method to be a satisfactory approximation of the debt.



## Note 10 - Provisions for contingencies and charges

(in EUR thousands)	12.31.2020	Allocations	Reversals	Other	06.30.2021
Warranties (1)	913,730	40,711	-45,642	819	909,618
Services provision	151,983	23,362	-30,616	1,704	146,433
Retirement severance payments (2)	335,100	26,771	-13,337	-98,940	249,594
<i>French companies</i>	221,633	19,113	-13,078	-56,263	171,405
<i>US companies</i>	113,467	7,658	-259	-42,677	78,189
Others	11,889	888	-918	118	11,977
<b>Provisions for contingencies and charges</b>	<b>1,412,702</b>	<b>91,732</b>	<b>-90,513</b>	<b>-96,299</b>	<b>1,317,622</b>

(1) provisions take account of changes in the fleet in operation and delivered contracts.

(2) the actuarial adjustments contributed to the decrease in provisions for retirement severance payments in the amount of EUR 102,088 thousand. The breakdown is as follows:

<i>French companies</i>	-56,263
<i>US companies</i>	-45,825
<i>Total actuarial adjustments</i>	<u>-102,088</u>

The discount rate used to calculate the provision for retirement severance payments for French companies (determined by reference to the yield for high-quality corporate long-term bonds rated AA) was at 0.80% as of June 30, 2021, compared with 0.30% as of December 31, 2020. The rate used to calculate the provision for retirement severance payments for U.S. companies was 3.30% on June 30, 2021, compared with 2.90% as of December 31, 2020.

A 0.50 point decrease in the discount rate would increase the total commitment by EUR 76,500 thousand, while a 0.50 point increase would reduce it by EUR 68,125 thousand.

## Note 11 - Contract assets and liabilities

(in EUR thousands)	Contract assets	Contract liabilities
<b>Contract assets/liabilities as of December 31, 2020</b>	<b>10,252</b>	<b>-6,225,243</b>
<i>Advances and progress payments received</i>	-82,753	-5,574,774
<i>Other contract assets/liabilities</i>	93,005	-650,469
Change in customer advances and progress payments	2,137	-269,128
Change in other contract assets/liabilities	19,193	182,688
Reclassifications	-8,619	8,619
<b>Contract assets/liabilities as of June 30, 2021</b>	<b>22,963</b>	<b>-6,303,064</b>
<i>Advances and progress payments received</i>	-74,587	-5,849,931
<i>Other contract assets/liabilities</i>	97,550	-453,133

The increase in contract liabilities due to advances relating to the Defense France and Rafale Greece contracts, as well as Falcon orders, was partially offset by the decrease in contract liabilities resulting from reversals of advances linked to Rafale Export deliveries during the period.

Since Dassault Aviation is principal on the Rafale Export contracts (Egypt, Qatar, India and Greece), the advances received include the co-contractors' parts. The progress payments made reflect the transfer of these parts to the co-contractors:

(in EUR thousands)	06.30.2021	12.31.2020
Advances and progress payments received	-5,924,518	-5,657,527
Supplier advances and progress payments	1,787,594	1,748,750
<b>Advances and progress payments received net of advances and progress payments paid</b>	<b>-4,136,924</b>	<b>-3,908,777</b>





## Note 12 - Net sales

Net sales by region breakdown are as follows:

(in EUR thousands)	H1 2021	H1 2020	2020
France (1)	391,498	301,073	613,772
Export (2)	2,714,708	2,344,605	4,877,820
<b>Net sales</b>	<b>3,106,206</b>	<b>2,645,678</b>	<b>5,491,592</b>

(1) mainly the French government, with whom the Group generated more than 10% of its total net sales in H1 2021 and in 2020 overall.

(2) more than 10% of the Group's net sales were generated with Qatar and India in H1 2021, H1 2020 and 2020 overall. The net sales from the Rafale Export contracts are recorded on a gross basis (including the co-contractors' parts).

Net sales by activity are as follows:

(in EUR thousands)	H1 2021	H1 2020	2020
Falcon	701,135	1,064,438	2,228,791
Defense	2,405,071	1,581,240	3,262,801
<b>Net sales</b>	<b>3,106,206</b>	<b>2,645,678</b>	<b>5,491,592</b>

## Note 13 - Research and development costs

Non-capitalized research and development costs are recognized as an expense for the period in which they are incurred and represent:

(in EUR thousands)	H1 2021	H1 2020	2020
Research and development costs	-250,064	-262,237	-537,775

The Group's research and development strategy and initiatives are described in the Directors' report.

## Note 14 - Net financial income/expense

(in EUR thousands)	H1 2021	H1 2020	2020
Income from cash and cash equivalents	2,072	2,164	2,283
Change in fair value of other current and non-current financial assets	-1,531	-2,665	-448
Cost of gross financial debt (1)	-13,362	-21,384	-41,744
<b>Cost of net financial debt</b>	<b>-12,821</b>	<b>-21,885</b>	<b>-39,909</b>
Dividends and other investment income	0	0	0
Interest income and gains/losses on disposal of other financial assets	1,477	3,479	6,187
Foreign exchange gain/loss (2)	-19,810	-19,327	45,938
<b>Other financial income and expense</b>	<b>-18,333</b>	<b>-15,848</b>	<b>52,125</b>
<b>Net financial income/expense</b>	<b>-31,154</b>	<b>-37,733</b>	<b>12,216</b>

(1) the financial expense recorded for the financing component of long-term Defense contracts was EUR -11,889 thousand in H1 2021, compared with EUR -18,315 thousand in H1 2020 and EUR -36,631 thousand in 2020.

(2) foreign exchange gain/loss for the period includes the change in market value and gain/loss resulting from the exercise of foreign exchange hedging instruments that do not qualify for hedge accounting under IFRS 9 "Financial Instruments". The amounts are not representative of the real gain/loss that will be recognized when the hedges are exercised.



## Note 15 - Taxes

### 15.1. Income tax

(in EUR thousands)	H1 2021	H1 2020	2020
Current tax expense	-22,031	3,856	-5,885
Deferred tax income/expense	-20,767	-8,112	-71,017
<b>Income tax</b>	<b>-42,798</b>	<b>-4,256</b>	<b>-76,902</b>

### 15.2. Reconciliation of theoretical and recognized tax expense

(in EUR thousands)	H1 2021	H1 2020	2020
Net income	211,799	32,009	302,759
<i>Cancellation of the income tax</i>	42,798	4,256	76,902
<i>Cancellation of the Group share of net income of equity associates</i>	-108,527	-17,251	-121,282
Income before tax and equity associates	146,070	19,014	258,379
<b>Theoretical tax expenses calculated at the current rate (1)</b>	<b>-41,498</b>	<b>-6,088</b>	<b>-82,733</b>
Effect of tax credits (2)	4,601	5,372	12,024
Effect of differences in tax rates (3)	-2,295	-3,918	-11,009
Other	-3,606	378	4,816
<b>Taxes recognized</b>	<b>-42,798</b>	<b>-4,256</b>	<b>-76,902</b>

(1) a rate of 28.41% applies for H1 2021. The rate applied for H1 2020 and FY 2020 was 32.02%.

(2) Research Tax Credit, recorded as other revenue, amounted to EUR 15,150 thousand in H1 2021, compared with EUR 15,500 thousand in H1 2020 and EUR 33,931 thousand for 2020.

(3) includes the impact of the decrease in the corporate tax rate in France.

### 15.3. Deferred tax sources

(in EUR thousands)	Consolidated balance sheet	
	06.30.2021	12.31.2020
Temporary differences on provisions (profit-sharing, pension, etc.)	221,816	249,474
Other current and non-current financial assets and cash equivalents	-1,869	-2,998
Derivative financial instruments	-1,134	-21,932
Other temporary differences	77,567	104,778
<b>Net deferred taxes</b>	<b>296,380</b>	<b>329,322</b>
<i>Deferred tax assets</i>	301,223	334,762
<i>Deferred tax liabilities</i>	-4,843	-5,440

## Note 16 - Earnings per share

Earnings per share	H1 2021	H1 2020	2020
Net income attributable to the owners of the Parent Company (in thousands of euros) (1)	211,799	32,009	302,759
Average number of shares outstanding	8,316,865	8,314,600	8,314,943
Diluted average number of shares outstanding	8,318,215	8,315,725	8,316,068
<b>Basic earnings per share (in EUR)</b>	<b>25.5</b>	<b>3.8</b>	<b>36.4</b>
<b>Diluted earnings per share (in EUR)</b>	<b>25.5</b>	<b>3.8</b>	<b>36.4</b>

(1) net income is fully attributable to income from continuing operations (no discontinued operations).

Earnings per share are calculated by dividing net income attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the year, minus treasury shares.

Diluted earnings per share correspond to net income attributable to owners of the Parent Company divided by the diluted weighted average number of shares. This corresponds to the weighted average number of common shares outstanding, increased by performance shares granted.

## Note 17 - Financial instruments

The valuation method used in the balance sheet (cost or fair value) of financial instruments (assets or liabilities) is detailed in the tables below.

The Group used the following hierarchy for the fair value valuation of the financial assets and liabilities:

- Level 1: quoted prices in an active market;
- Level 2: valuation techniques based on observable market data;
- Level 3: valuation techniques based on non-observable market data.



## 17.1. Financial instruments (assets)

(in EUR thousands)	Balance sheet value as of 06.30.2021			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current assets</b>				
Other non-current financial assets	39,743	1,112	136,107	176,962
<b>Current assets</b>				
Trade and other receivables	1,302,182			1,302,182
Derivative financial instruments		6,574	14,708	21,282
Other current financial assets		829,056		829,056
Cash equivalents (2)		1,707,007		1,707,007
<b>Total financial instruments (assets)</b>	<b>1,341,925</b>	<b>2,543,749</b>	<b>150,815</b>	<b>4,036,489</b>
Level 1 (2)		2,537,175	21,319	
Level 2		6,574	14,708	
Level 3		0	114,788	

(1) the carrying amount of the financial instruments (assets) recognized at cost or at amortized cost corresponds to a reasonable approximation of the fair value.

(2) including time deposits as of June 30, 2021: EUR 1,347,657 thousand.

As of December 31, 2020, the figures were as follows:

(in EUR thousands)	Balance sheet value as of 12.31.2020			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current assets</b>				
Other non-current financial assets	60,440	702	128,649	189,791
<b>Current assets</b>				
Trade and other receivables	1,391,578			1,391,578
Derivative financial instruments		23,148	61,155	84,303
Other current financial assets		868,015		868,015
Cash equivalents (2)		1,696,105		1,696,105
<b>Total financial instruments (assets)</b>	<b>1,452,018</b>	<b>2,587,970</b>	<b>189,804</b>	<b>4,229,792</b>
Level 1 (2)		2,564,822	9,264	
Level 2		23,148	61,155	
Level 3		0	119,385	

(1) the carrying amount of the financial instruments (assets) recognized at cost or at amortized cost corresponds to a reasonable approximation of the fair value.

(2) including time deposits as of December 31, 2020: EUR 1,361,444 thousand.

## 17.2. Financial instruments (liabilities)

(in EUR thousands)	Balance sheet value as of 06.30.2021			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current liabilities</b>				
Bank borrowings	0			0
Other financial liabilities (2)	92,421			92,421
Lease liabilities	113,331			113,331
<b>Current liabilities</b>				
Bank borrowings	0			0
Other financial liabilities (2)	13,359			13,359
Lease liabilities	28,572			28,572
Trade and other payables	956,897			956,897
Derivative financial instruments		3,689	14,680	18,369
<b>Total financial instruments (liabilities)</b>	<b>1,204,580</b>	<b>3,689</b>	<b>14,680</b>	<b>1,222,949</b>
Level 1		0	0	
Level 2		3,689	14,680	
Level 3		0	0	

(1) the carrying amount of the financial instruments (liabilities) recognized at cost or at amortized cost corresponds to a reasonable approximation of the fair value.

(2) mainly locked-in employee profit-sharing funds.

As of December 31, 2020, the figures were as follows:

(in EUR thousands)	Balance sheet value as of 12.31.2020			
	Cost or amortized cost (1)	Fair value		Total
		Impact on net income	Impact on equity	
<b>Non-current liabilities</b>				
Bank borrowings	0			0
Other financial liabilities (2)	101,467			101,467
Lease liabilities	119,528			119,528
<b>Current liabilities</b>				
Bank borrowings	463			463
Other financial liabilities (2)	21,043			21,043
Lease liabilities	27,913			27,913
Trade and other payables	922,898			922,898
Derivative financial instruments		821	2,741	3,562
<b>Total financial instruments (liabilities)</b>	<b>1,193,312</b>	<b>821</b>	<b>2,741</b>	<b>1,196,874</b>
Level 1		0	0	
Level 2		821	2,741	
Level 3		0	0	

(1) the carrying amount of the financial instruments (liabilities) recognized at cost or at amortized cost corresponds to a reasonable approximation of the fair value.

(2) mainly locked-in employee profit-sharing funds.



## Note 18 - Financial risk management

### 18.1. Cash and liquidity risks

#### 18.1.1. Financial debt

The Group has no significant risk in relation to its financial debt. The features are described in Note 9.

#### 18.1.2. Cash, cash equivalents and other current financial assets

The Group's investment portfolio is primarily composed of money market plan assets with no significant risk of impairment.

(in EUR thousands)	Market value	As %
Cash at bank and in hand, money market investments and time deposits	2,793,355	78%
Investments in bonds (1)	40,450	1%
Unspecified plan assets (1)	773,588	21%
<b>Total</b>	<b>3,607,393</b>	<b>100%</b>

(1) investments in bonds subscribed by the Group are mostly investments with a short-term management horizon. Unspecified investments as defined by the AMF classification are mostly invested in short-term bond and money market funds.

An exhaustive analysis of the performance of listed marketable securities is made at each closing date. The investment portfolio does not present, on a line-by-line basis, any objective evidence of significant impairment as of June 30, 2021 (just as for December 31, 2020).

The Group can therefore meet its commitments without any liquidity risk due to its cash resources and its portfolio of marketable securities. The Group is not faced with restrictions with regard to the availability of its cash and its portfolio of marketable securities.

Fair value classification:

(in EUR thousands)	06.30.2021		
	Impact on net income	Impact on equity	Total
Cash at bank and in hand, money market investments and time deposits	2,793,355	0	2,793,355
Investments in bonds	40,450	0	40,450
Unspecified plan assets	773,588	0	773,588
<b>Total</b>	<b>3,607,393</b>	<b>0</b>	<b>3,607,393</b>

## **18.2. Credit and counterparty risks**

### **18.2.1. Credit risk on bank counterparties**

The Group allocates its plan assets and performs its cash and foreign exchange transactions with recognized financial institutions. The Group has no investments or accounts with financial institutions presenting a significant risk of default.

### **18.2.2. Customer default risk**

The Group limits counterparty risk by completing most of its sales in cash and ensuring that the loans are secured by export insurance guarantees (Bpifrance Assurance Export) or collateral. The share of receivables not covered by these procedures is subject to regular individual monitoring and, if necessary, a provision for impairment.

Given the arrangements in risk mitigation that are in place, and the provisions made in its accounts, the Group's residual exposure to the risk of default by a customer in a country subject to uncertainties is limited.

The Bpifrance Assurance Export guarantees and collateral obtained and not exercised as of the closing date are comparable to those as of December 31, 2020.

Manufacturing risk is also covered by Bpifrance Assurance Export for major military export contracts.

## **18.3. Other market risks**

### **18.3.1. Market risks**

The Group hedges its foreign exchange risk and interest rate risk by means of derivative financial instruments, the carrying amount of which is presented below:

(in EUR thousands)	06.30.2021		12.31.2020	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivatives	21,282	18,369	84,303	3,562
Interest rate derivatives	0	0	0	0
<b>Derivative financial instruments</b>	<b>21,282</b>	<b>18,369</b>	<b>84,303</b>	<b>3,562</b>
<b>Net derivative financial instruments</b>	<b>2,913</b>		<b>80,741</b>	





## Foreign exchange derivatives

The Group is exposed to a foreign exchange risk through the Parent Company in relation to its Falcon sales, which are virtually all denominated in US dollars. This risk is partially hedged by using forward exchange contracts and foreign exchange options.

The Group partially hedges its cash flows that are considered highly probable. It ensures that the initial future cash flows will be sufficient to use the foreign exchange hedges in place. The hedged amount may be adjusted as a function of changes over time in expected net cash flows.

The foreign exchange derivative instruments used by the Group are not all eligible for hedge accounting under the terms of IFRS 9 "Financial Instruments". The analysis of the instruments is presented in the table below:

(in EUR thousands)	Market value as of 06.30.2021	Market value as of 12.31.2020
Instruments which qualify for hedge accounting	28	58,414
Instruments which do not qualify for hedge accounting	2,885	22,327
<b>Foreign exchange derivatives</b>	<b>2,913</b>	<b>80,741</b>

Counterparty risk on foreign exchange derivatives (CVA/DVA) is calculated using the lump-sum add-on method using historical default probabilities by rating category communicated by the rating agencies. As of June 30, 2021, this counterparty risk is not material.

The fair value of derivative financial instruments by maturity breaks down as follows:

(in EUR thousands)	Less than one year	More than one year	Total
Foreign exchange derivatives	3,237	-324	<b>2,913</b>

## Interest rate derivatives

The Group is no longer exposed to the volatility of interest rates through its loans taken out at variable rates, as these were repaid during the first half of 2020 (see Note 9).

### 18.3.2. Impacts of derivatives on the Group's financial statements

The impact on net income and equity of the changes in fair value of hedging instruments for the period is as follows:

(in EUR thousands)	12.31.2020	Impact on equity (1)	Impact on net financial income (2)	06.30.2021
Foreign exchange derivatives	80,741	-58,386	-19,442	2,913
Interest rate derivatives	0	0	0	0
<b>Net derivative financial instruments</b>	<b>80,741</b>	<b>-58,386</b>	<b>-19,442</b>	<b>2,913</b>

(1) recognized directly through equity, share of fully consolidated companies.

(2) change in fair value of foreign exchange hedging instruments that do not qualify for hedge accounting under IFRS 9 "Financial Instruments".

The change in fair value of foreign exchange derivatives is mainly due to the change in the closing rate between December 31, 2020 (\$1.2271/€) and June 30, 2021 (\$1.1884/€).

### 18.3.3. Sensitivity test for foreign exchange derivatives

A sensitivity analysis was performed to determine the impact of a 10 cent increase or decrease in the US dollar/euro exchange rate.

<b>Market value of the portfolio</b> (in EUR thousands)	<b>06.30.2021</b>	
Net balance sheet position	2,913	
Closing US dollar/euro exchange rate	\$1.1884/€	
Closing US dollar/euro exchange rate +/- 10 cents	\$1.0884/€	\$1.2884/€
Change in value (1)	-210,060	+170,011
<i>Impact on net income</i>	-67,340	+49,446
<i>Impact on equity</i>	-142,720	+120,565

(1) figures calculated based on prevailing market conditions at the closing date. They are not representative of the actual gain/loss to be recognized when the hedges are exercised.

### 18.3.4. Risks related to Embraer shares

As of June 30, 2021, Embraer shares were valued at EUR 21,319 thousand (see Note 5). The Group is exposed to foreign exchange risk on its investment in Embraer, listed in Brazilian real on the Brazilian market, and to price risk linked to share price fluctuations. A 10% rise or fall in the exchange rate and/or share price would not have a material impact on the Group's financial statements.

## Note 19 - Contingent assets and liabilities

There are no contingent assets or liabilities as of June 30, 2021.

## Note 20 - Related-party transactions

The related parties as of June 30, 2021 are identical to those identified as of December 31, 2020 and the transactions during the period are of the same type.

## Note 21 - Subsequent events

No events likely to have a material impact on the financial statements occurred between June 30, 2021 and the date on which the financial statements were approved by the Board of Directors.



## Statutory auditors' review report on the half-yearly financial information

For the period from January 1, 2021 to June 30, 2021

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To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Dassault Aviation, for the period from January 1, 2021 to June 30, 2021;
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

### Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34- standard of the IFRSs as adopted by the European Union applicable to interim financial information.

## Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, July 22, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit

Edouard Demarcq

Mazars

Mathieu Mougard

This is a free translation into English of the statutory auditors' review report half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.